



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

2 May 2019

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
Committee Office
London SW1A 0AA

Dear Nicky,

Thank you for your letter of 13 March 2019 regarding your Treasury Committee meeting where you took evidence from Natalie Ceeney CBE, Richard Lloyd and Sian Williams following the publication of the Access to Cash Review. I would like to respond to the points raised in your letter on this important topic.

I can assure you that the Government is committed both to safeguarding access to cash for those who need it and to supporting digital payments. It is for this reason that, following a programme of currency modernisation, I initiated a discussion on payment methods at Spring Statement 2018, through a Call for Evidence on Cash and Digital Payments in the New Economy. This Call for Evidence sought to gather evidence on how changing preferences for cash and digital payments impact on different sectors, regions and demographics. Furthermore, it demonstrated the Government's intent to explore how cash can remain accessible.

Today, the Government published its response to the Call for Evidence, making clear its commitment to acting on the Access to Cash Review. Recognising the urgency of this issue, the Treasury will take decisive action by setting up and chairing a Joint Authorities Cash Strategy Group. This Group will facilitate further co-ordination between the authorities, provide comprehensive oversight of the overall cash infrastructure (including steps to make this infrastructure more resilient and efficient), and consider how best to ensure access to cash for those who need it. The remit of this group will include co-ordinating the response of authorities to Ms. Ceeney's recommendations. The membership of the Group will be the Treasury, Bank of England, Financial Conduct Authority and Payment Systems Regulator (PSR).

This builds on the work the government has already undertaken in this area. We established the PSR in 2015 with robust powers and a statutory objective to ensure that payment systems work well for those who use them. The PSR regulates LINK and is closely engaged with developments in ATM provision. Both the PSR and LINK have undertaken substantial work on this topic, with LINK committed to maintaining the broad geographical coverage of the ATM network in the UK. The PSR will use its powers to hold LINK to account for its public commitments.

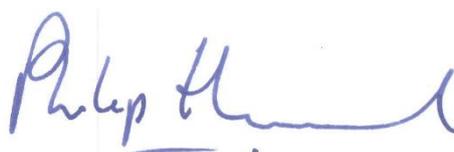
The Government has also invested heavily in maintaining a stable network of Post Office branches, with investment of over £2 billion since 2010. As you may know, the Post Office has an agreement with 28 high street banks that allows more banking customers to access a wider range of services at the Post Office than ever before. The arrangement allows

individual and small business customers to withdraw money, deposit cash and cheques and check balances at 11,500 Post Office branches in the UK. As a result of this agreement, the Post Office estimates that 99% of personal and 95% of small business customers can carry out their day to day banking at their local Post Office.

I would also like to respond to some of the other queries in your letter:

- You raise the question of using legislation to implement some of the recommendations from the Access to Cash Review. We will carefully consider whether or not legislation would be required, though as you say, I believe there are important steps that can safeguard access to cash without changes to the law. We will therefore engage closely with industry and regulators on their role in supporting access to, and acceptance of, cash. As acknowledged by the Access to Cash Review, industry innovations can play a key role in reducing costs associated with cash provision and acceptance.
- You request information on analysis undertaken by the Treasury regarding acceptance of cash by shops and other service providers. As part of the Call for Evidence, the Treasury sought views on changes to the level of cash handled by respondents and the way cash is accepted, as well as the drivers for such change. As testified by the Access to Cash Review, industry is also conducting analysis into the effects of changing consumer preferences. In addition to the responses provided to the Call for Evidence, we will take the evidence on cash acceptance provided by the Access to Cash Review into account as part of future policy making.
- You also ask about discussions the Treasury has had with public and private sector bodies on the UK's wholesale cash infrastructure and our thoughts on how to maintain widespread cash acceptance. Throughout the programme of currency modernisation, the Treasury has continued to have direct contact with the bodies that make up the UK's wholesale cash infrastructure. Following on from this, we support the Bank of England's announcement that it will convene relevant stakeholders in order to develop a new system for wholesale cash distribution. We believe this work will also help to incentivise widespread cash acceptance going forward. We will continue to play a role by supporting this.
- In response to the final point in your letter, I can clarify that Treasury ministers are focused on this issue as an important part of their existing responsibilities. The Economic Secretary to the Treasury has a strong interest in cash due to his responsibilities for retail financial services and financial inclusion; while the Exchequer Secretary to the Treasury is responsible for The Royal Mint, coinage and banknotes.

I hope that this response addresses your questions and reassures you of the priority that the Treasury attaches to this important issue.



PHILIP HAMMOND